

Message Text

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TO USMISSION EC BRUSSELS

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TAGS: EEC, ENRG, TECH

SUBJECT: AEC ENRICHMENT CONTRACTING

REF: EC BRUSSELS 5955

1. MANY OF OBOUSSIER'S QUESTIONS IN REFTEL ANSWERED DURING AEC-STATE INFORMAL BRIEFING FOR FOREIGN REPS AFTERNNON AUGUST 6 IN WASHINGTON. HOWEVER, TO ASSURE FULL RESPONSE AND AVOID ANY POSSIBLE MISUNDERSTANDINGS, FOLLOWING IS PROVIDED (SAME NUMBERING FOR RESPONSE AS QUESTION IN INCOMING):

I.A) IF COMMISSION GIVES GENERIC APPROVAL FOR PLUTONIUM RECYCLY BY JUNE 30, 1975, A CONDITIONAL CONTRACT WILL BECOME FULLY EQUIVALENT TO A STANDARD CONTRACT.

B) AS STATED ON A NUMBER OF OCCASIONS BY COMMISSION, ITS PLANS ARE TO OPERATE AEC'S THREE DIFFUSION PLANTS AT AS NEAR THEIR CAPACITY AS POSSIBLE (INCLUDING CIP/CUP) ON LONG-TERM BASIS REGARDLESS OF FUTURE PRIVATE ENTRY, IN ORDER TO ASSURE RECOVERY OF TAXPAYER'S INVESTMENT IN CIP/CUP. THUS, ALTHOUGH CONDITIONAL
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CONTRACTS WILL HAVE SAME LANGUAGE AS STANDARD REGARDING RIGHT OF

AEC TO TERMINATE IN EVENT OF PRIVATE ENTRY, ANY OF THE FORMER CONTRACTS WHICH BECAME FIRM THROUGH GENERIC APPROVAL OF RECYCLE AND THE SERVICING OF WHICH IS WITHIN AEC'S ENRICHMENT CAPACITY AT OPTIMUM TAILS ASSAY (NOW ANTICIPATED TO BE 0.3 PERCENT U-235) MAY NOT REPEAT MAY NOT BE SO TERMINATED. HOWEVER, IF THE SERVICING OF THE CONTRACT REQUIRED OPERATION AT A LEVEL ABOVE THE OPTIMUM TAILS ASSAY, THEN WE ANTICIPATE THAT IT WOULD BE TERMINATED, ON A LAST-IN, FIRST-OUT BASIS, FOLLOWING THE AVAILABILITY OF PRIVATE ENRICHMENT. A LIST SHOWING THE POSITION OF EACH CUSTOMER AT THE CLOSE OF AEC'S PRESENT CONTRACTING ON JUNE 30, 1974, RELATIVE TO AEC'S ENRICHMENT CAPACITY, IS BEING MADE A MATTER OF PUBLIC RECORD SO THAT EACH CUSTOMER CAN DETERMINE WHAT HIS FUTURE LIKELIHOOD OF SUCH TERMINATION MAY BE.

C) BELIEVE ANSWER IS ADEQUATELY COVERED IN CHAIRMAN'S TESTIMONY TO JCAE, WHICH OBOUSSIER SHOULD HAVE BY NOW.

D) TERMINATION WILL OCCUR ON JULY 1, 1975 (BY WRITTEN NOTICE FROM THE COMMISSION) IF GENERIC APPROVAL OF PLUTONIUM RECYCLE HAS NOT BEEN GIVEN BY THAT DATE, UNLESS OTHERWISE AGREED. IT SHOULD BE NOTED THAT PROCESS LEADING TO ISSUANCE OF AN ENVIRONMENTAL IMPACT STATEMENT UNDER NEPA, OF WHICH GENERIC APPROVAL OF PLUTONIUM RECYCLE WOULD BE AN INSTANCE, IS BASICALLY PUBLIC ONE (E.G., ISSUANCE OF A DRAFT STATEMENT FOR PUBLIC COMMENT, ETC.) SO THAT THE CUSTOMER SHOULD BE GENERALLY AWARE OF STATUS AT ALL TIMES.

E) AEC CANNOT GIVE CONTRACTURAL ASSURANCE THAT IT WOULD UNDERTAKE INTERIM SUPPLY UNTIL OTHER U.S. SOURCES OF ENRICHMENT SERVICES ARE AVAILABLE IF CONDITIONAL CONTRACTS TERMINATE BECAUSE GENERIC APPROVAL NOT GIVEN FOR PLUTONIUM RECYCLE, SINCE SUCH ACTION WOULD INVOLVE AN OPEN-ENDED COMMITMENT WHICH MIGHT REPRESENT CONTRACTING BEYOND AVAILABLE ENRICHMENT CAPACITY. QUESTION SEEMS ACADEMIC, HOWEVER, IN LIGHT OF PRESIDENTIAL STATEMENT THAT "... THE PRESIDENT ASSURES HOLDERS OF CONDITIONAL CONTRACTS THAT THE UNITED STATES WILL, IN ANY EVENT, FULFILL THE FUEL REQUIREMENTS IN THOSE CONTRACTS FROM U.S. SUPPLY SOURCES."

II.A) THE PRESIDENTIAL ASSURANCE REFLECTS FACTS THAT (A) IT IS INCONCEIVABLE U.S. DOMESTIC NUCLEAR POWER PROGRAM WOULD EVER UNCLASSIFIED

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COME TO COMPLETE HALT--OR EVEN SLOW DOWN--BECAUSE NECESSARY ENRICHMENT SERVICES ARE NOT AVAILABLE AND (B) THERE IS ADEQUATE TIME STILL REMAINING (YEAR OR MORE) BEFORE "POINT OF NO RETURN" IS REACHED BY WHICH TIME FINAL DECISION ON ADDITIONAL SOURCE(S) OF ENRICHMENT SERVICES MUST BE MADE IF THERE IS TO BE NO SUPPLY GAP. WHATEVER FINAL SOLUTION EVOLVES, U.S. IS CERTAIN THAT IT WILL PERMIT PROVIDING NECESSARY ENRICHMENT SERVICES FOR ALL CUSTOMERS DEPENDING ON AEC FOR SUPPLY, REGARDLESS OF WHETHER UNDER

STANDARD OR CONDITIONAL CONTRACT. THIS ASSURANCE IS BACKSTOPPED BY ANTICIPATED PREPRODUCTION INVENTORY OF UP TO 40 MILLION SEPARATIVE WORK UNITS.

B) YES.

C) PRESENT AEC PLANS FOR MAINTAINING LARGE PREPRODUCTION INVENTORY INCLUDE, AS ONE OBJECTIVE, SPANNING ANY SHORTFALL IN AVAILABILITY OF ENRICHMENT SERVICES PRIOR TO TIME THAT SUCH SERVICES CAN BE SUPPLIED FROM ADDITIONAL U.S. ENRICHMENT CAPACITY, EITHER PRIVATE OR GOVERNMENTAL.

D) IN EVENT AEC TERMINATES CONTRACT BECAUSE EQUIVALENT ENRICHMENT SERVICES AVAILABLE FROM PRIVATE U.S. SOURCE, CUSTOMER IS FREE TO SEEK NECESSARY SERVICES FROM ANY ALTERNATIVE SOURCE. POSSIBLE REVOCATION OF AEC TERMINATION NOTICE DEPENDS, OF COURSE, ON CUSTOMER'S INABILITY TO OBTAIN CONTRACT COVERING EQUIVALENT SERVICES FROM U.S. SUPPLIER UNDER TERMS AND CONDITIONS, INCLUDING CHARGES, CONSIDERED BY AEC TO BE REASONABLE AND NONDISCRIMINATORY.

III.A) AND B) ESSENTIALLY, THE COMMISSION IS LOOKING TO THE PROSPECTIVE PRIVATE ENRICHER AND HIS CUSTOMERS TO INDICATE THE TYPES OF ASSISTANCE WHICH ARE CONSIDERED MOST DESIRABLE IN HELPING A PRIVATE U.S. ENRICHMENT INDUSTRY TO BE ESTABLISHED. SOME OF THE AREAS THUS FAR IDENTIFIED INCLUDE FINANCIAL ASSISTANCE (PARTICULARLY IN THE RECENTLY ANNOUNCED CENTRIFUGE DEMONSTRATION PROGRAM), THE SUPPLY OF BARRIER FROM AEC PRODUCTION FACILITIES IN THE CASE OF A UEA DIFFUSION PLANT, AND THE WILLINGNESS OF AEC TO FILL GAPS IN SUPPLY WHICH MIGHT RESULT EITHER FROM THE SCHEDULING OF PLANT OPERATIONS OR DELAYS IN ACHIEVING PLANNED RATES OF PRODUCTION. WE BELIEVE IT IS QUITE LIKELY THAT OTHER TYPES OF ASSISTANCE WILL BE IDENTIFIED IN THE FUTURE AND IF SO THE AEC WILL CONSIDER EACH ON ITS MERITS.

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IV. THERE IS EVERY INDICATION THAT THOSE IN U.S. INDUSTRY SERIOUSLY CONSIDERING ENTERING THE ENRICHMENT SERVICES FIELD ARE STRONGLY INTERESTED IN THE FOREIGN MARKET FOR SUCH SERVICES. THEY ALSO REALIZE THAT THEIR TERMS AND CONDITIONS MUST BE COMPETITIVE WITH OTHER SOURCES OF SUPPLY IF THEY ARE TO BE SUCCESSFUL IN PENETRATING THIS MARKET. IN THE PRESIDENTIAL STATEMENT, "NONDISCRIMINATORY ACCESS" REFERRED TO THE FACT THAT THE UNITED STATES, AS A MATTER OF GOVERNMENT POLICY, HAS NO PLAN TO BAN, LIMIT, OR OTHERWISE DISCRIMINATE AGAINST THE PROVISION OF ENRICHMENT SERVICES TO FOREIGN CUSTOMERS BY EITHER PRIVATE OR GOVERNMENT SOURCES. U.S. ABILITY TO STAND BEHIND RELIABILITY IN SUPPLY OF PRIVATE U.S. ENRICHERS RESTS BOTH ON ITS WILLINGNESS TO OFFER TO SUCH ENRICHERS ALL REASONABLE TECHNICAL ASSISTANCE (BASED ON A

BACKGROUND IN ENRICHMENT RESEARCH AND DEVELOPMENT AND
INDUSTRIAL-LEVEL PRODUCTION WHICH FAR EXCEEDS THAT OF ANY
OTHER NATION) AND ON PLANNED PREPRODUCTION STOCKPILE. END
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